

# THE IMPACT OF DIGITAL TRANSFORMATION ON THE QUALITY OF FINANCIAL REPORTS (AN ANALYTICAL APPLIED STUDY ON THE SAUDI TELECOM COMPANY)

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## **Abstract:**

This study aims to examine the impact of digital transformation on the quality of financial reports through an applied case on the Saudi Telecom Company (STC). The research adopted a descriptive-analytical approach, using a questionnaire distributed to a sample of employees from the accounting, finance, information technology, and senior management departments. The findings revealed a strong and statistically significant positive relationship between the implementation of digital transformation technologies and the quality of financial reporting.

Modern tools such as artificial intelligence, cloud computing, and electronic data archiving have contributed to enhancing accuracy, transparency, reducing errors, and accelerating the issuance of reports. The study recommends strengthening digital transformation strategies through continuous investment in infrastructure, ongoing employee training, and improving integration between digital systems to ensure the sustainability of high-quality financial reporting and to increase stakeholders' trust in decision-making processes.

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## **FIRST: INTRODUCTION:**

In recent decades, the world has witnessed a radical transformation in various areas of life as a result of tremendous technological progress. The accounting field has had a significant share of this transformation, as digital technologies have become a major focus in the development of accounting information systems Improving the efficiency of financial reporting. Digital transformation refers to the use of modern tools and technologies, such as cloud computing, artificial intelligence, and big data analysis, to redesign traditional processes and enhance the quality and accuracy of financial information. (Al-Htaybat et al., 2018)..

Organizations, especially in changing business environments, are required to respond quickly to changes and provide more transparent, accurate, and timely financial reports. This reflects the importance of digital transformation as a means of raising the quality of these reports, both in terms of relevance and reliability Or the ability to understand and compare. Digital technologies enable the immediate recording of financial transactions and help detect errors instantly, which impacts the credibility of accounting information and the ability to make informed decisions by various stakeholders(Yoon et al., 2017).

However, this transformation is not without challenges; it may require significant financial investments and the development of human resources capable of navigating complex digital environments. Furthermore, some organizations, particularly in developing countries, still face difficulties in effectively adopting these technologies, which could undermine the expected impact on the quality of financial reportingIn this context, this research seeks to examine the impact of digital transformation on the quality of financial reporting, by analyzing the relationship between the application of modern digital technologies and the extent of improvement in financial reporting characteristics, such as accuracy, transparency, speed, and reliability. It also aims to provide recommendations that contribute to maximizing the benefits of this transformation in contemporary accounting business environments.

## SECOND: THE RESEARCH PROBLEM:

Despite the expanding use of digital systems, there is widespread debate about the extent to which these technologies impact the quality of financial information produced. The problem is represented by the following question:

What is the impact of digital transformation on the quality of financial reports in accounting institutions?

A number of questions arise from this, the most prominent of which are:

- 1-To what extent has digital transformation contributed to improving the quality of financial reporting?
- 2-What challenges might digital transformation pose to the accuracy and reliability of financial reports?
- 3-How can organizations balance the benefits of digital transformation while ensuring the integrity and credibility of financial reports?

## THIRD: STUDY OBJECTIVES:

- 1-To understand the concept of digital transformation in accounting.
- 2-To study the factors affecting the quality of financial reports.
- 3-To analyze the relationship between digital transformation and the quality of financial reports.
- 4-To provide recommendations for improving the quality of financial reports using technology.

## FOURTH: RESEARCH IMPORTANCE

Scientific Importance: Contributes to enriching the accounting literature on modern technology.

Practical Importance: Provides recommendations for accountants and financial departments to enhance the quality of financial reporting.

## FIFTH: RESEARCH HYPOTHESES

- 1-There is no statistically significant relationship between the use of digital systems and the quality of financial reports.
- 2-There is a direct relationship between the degree of digital transformation and the level of transparency in financial reports.
- 2-Employee proficiency in using digital systems affects the accuracy of accounting information.

## SIXTH: RESEARCH METHODOLOGY

- 1-User Methodology: Descriptive-Analytical Method.
- 2-Data Collection Tool: Questionnaire + Interviews with Accountants.
- 3-Research Sample: Accounting Firms in (specify country or city) practicing digital transformation.
- 4-Analysis Methods: Statistical analysis using SPSS or Excel.

### Seventh: Research Limits

Saudi Telecom Company - Spatial Limits

Temporal Limits: 2024-2025

Subject Limits: Focuses solely on the impact of digital transformation on the quality of financial reports without addressing other aspects.

### Previous Studies:

:1-Ahmed's Study 2021

Objective: To measure the impact of digital transformation on the efficiency of financial reporting in Saudi companies.

Hypotheses: Digital transformation affects the speed and accuracy of financial statement issuance.

Results: It was found that digital systems contributed to a 30% reduction in the time required to issue reports.

Recommendations: Invest in digital infrastructure and train financial personnel.

2-Muhammad's study, 2022:

Objective: To study the readiness of accountants to use modern systems.

Hypotheses: Poor training leads to a decline in the quality of reports despite the availability of technology.

Results: More than 60% of accountants indicated a lack of technical knowledge.

Recommendations: Incorporate digital training into accountant development programs.

3-Smith & Brown (2023) Study:

Objective: To analyze the impact of artificial intelligence on reducing financial reporting errors. Hypothesis: The use of artificial intelligence reduces human errors in reporting.

Results: The percentage of errors decreased by 40% after adopting smart accounting tools.

Recommendations: Expand the application of artificial intelligence in accounting institutions.

Study No. 4:

Title: The Impact of Digital Transformation on the Performance of Educational Institutions in the Kingdom of Saudi Arabia.

Objective: To analyze the relationship between implementing digital transformation and improving the efficiency of academic and administrative performance.

Method: Descriptive analysis using a questionnaire directed at administrators and teachers.

Results: Digital transformation has contributed to improving the quality of education, communication, and the speed of administrative procedures.

Recommendations: Continue developing the digital infrastructure and enhancing vocational training to address smart education systems.

Study No 5:

Title: The Reality of Digital Transformation in Saudi Banks and Its Impact on Customer Satisfaction.

Objective: Evaluate the Impact of Implementing Digital Services on Customer Satisfaction in the Banking Sector.

Methodology: Quantitative approach using electronic questionnaires for a sample of customers.

Results: Digital transformation increases customer satisfaction by improving the user experience and saving time.

Recommendations: Enhance cybersecurity and expand digital services to include greater competitive advantages.

Study No. 6:

Title: Digital Transformation as a Governance Tool in Public Institutions.

Objective: To explore the extent to which digital transformation contributes to achieving transparency and accountability in government institutions.

Methodology: Documentary analysis and interviews with government officials.

Results: Digital systems help track data and make better, faster decisions.

Recommendations: Strengthen the connectivity between internal systems in institutions and continuously update them.

Study No. 7:

Title: The Impact of Digital Transformation on Accounting Information Systems in Industrial Companies.

Objective: To study the relationship between digital transformation and the development of accounting information systems.

Method: A quantitative approach using statistical analysis of questionnaire data.

Results: Digital transformation has improved the accuracy and accessibility of accounting data.

Recommendations: Develop the accounting information infrastructure and link it to business intelligence systems.

## THEORETICAL ASPECT:

### Digital transformation:

refers to the process of employing digital technology to bring about radical changes in the way organizations operate, by redesigning processes, services, and operating models. In line with modern technological developments, this transformation is not limited to the technical aspect alone, but extends to include the cultural and organizational transformation of the institution, with the aim of enhancing operational efficiency and providing greater value to beneficiaries (Vial, 2019).

Digital transformation is a strategic response to the opportunities and challenges posed by the digital environment, as organizations rely on technologies such as artificial intelligence, cloud computing, big data, and the Internet of Things to improve performance, facilitate decision-making, and accelerate operations (Westerman, Bonnet, & McAfee, 2014). It also contributes to reducing operational costs by automating traditional procedures and enhancing integration between organizational units.

This transformation requires effective leadership that supports a culture of innovation and change, as well as developing employees' digital skills to ensure full utilization of available technological capabilities. The success of digital transformation depends not only on the adoption of technological tools, but also on the readiness of the human element and the organization's ability to change (Vial, 2019). Based on the above, digital transformation is no longer an option. Rather, it has become an urgent necessity imposed by the demands of the modern era and the challenges of competitive markets. This prompts organizations to rethink their operating models and strategies to ensure survival and sustainability in a dynamic, changing environment.

### **Second: The Concept of Financial Reports:**

Financial reports refer to the data and documents prepared periodically by organizations to present comprehensive financial information about their performance and financial position to internal and external users, such as investors, creditors, and regulatory authorities. These reports aim to provide stakeholders with reliable and transparent information that supports economic decisions (Kieso, Weygandt, & Warfield, 2020).

Financial reports typically include the primary financial statements, which are the statement of financial position (balance sheet), income statement, statement of cash flows, and statement of changes in equity, as well as accompanying notes that detail the accounting policies and financial statements presented. These reports are based on Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS), in accordance with the legislation and practices in force in the country (Scott, 2015). Financial reports play a vital role in enhancing transparency and accountability within organizations, as they are used to assess financial performance, profitability, liquidity, and solvency. They also enable users to compare financial performance across different time periods or across multiple companies in the same sector (Penman, 2012).

### **Third: The Concept of Quality of Financial Reporting:**

The quality of financial reporting refers to the extent to which the reports issued by institutions provide their users with accurate, reliable, relevant, and transparent information, enabling them to make sound economic and financial decisions. The quality of financial reporting is one of the key factors that enhance an institution's credibility with investors and regulatory authorities. The quality of financial reports is measured through a set of qualitative characteristics identified by the International Accounting Standards Board (IASB), including: relevance, i.e. the ability of information to influence users' decisions; faithful representation, i.e. the information accurately reflects the financial reality of the organization; comparability, verifiability, timeliness, and understandability (IASB, 2018).

The quality of financial reports is influenced by several factors, most notably: the quality of the internal control system, the effectiveness of governance, the independence of the external auditor, the level of transparency in disclosure, and the legislative and regulatory environment within which the institution operates (Bushman & Smith, 2001).

Therefore, the quality of financial information depends not only on accounting procedures but also includes the ethical and regulatory environment of the institution. The quality of financial reporting contributes to reducing information asymmetries between company management and investors, limits the potential for financial manipulation, and enhances stakeholders' confidence in making investment or credit decisions. This quality is also directly linked to the efficiency of financial markets, as it enables market participants to manage stocks and financial instruments more closely to reality (Francis et al., 2020). Therefore, striving to improve the quality of financial reporting represents a strategic goal for institutions, as it has a direct impact on their reputation in the market, the cost of capital, and their attractiveness to investors.

### **The role of the accountant in light of the digital transformation:**

Digital transformation has brought about radical changes in the business environment, directly impacting the accounting profession and the role of accountants. The accountant's role is no longer limited to recording financial transactions and preparing statements, but has evolved to include data analysis, participation in decision-making, and providing financial advice based on advanced digital tools and technologies (Al-Htaybat, von Alberti-Alhtaybat, & Hutaibat, 2018).

With the advent of technologies such as artificial intelligence, machine learning, robotics programming (RPA), and big data, accountants are required to learn how to work with these technologies and leverage them in their work. For example, intelligent financial analysis tools can detect patterns and potential fraud in data. While cloud computing allows immediate access to financial data from anywhere, which enhances the accountant's flexibility and ability to provide real-time reports (Yigitbasioglu, 2017).

The accountant's role has also evolved to become a strategic business partner, contributing to future insights based on digital analytics and participating in the preparation of long-term financial scenarios and plans. The accountant's analytical thinking and innovation skills are increasingly important in a digital environment that relies on speed of processing and decision-making (Warren, Moffitt, & Byrnes, 2015). On the other hand, accountants face professional challenges, most notably the need to continuously develop digital skills, address data security and privacy issues, and understand the legal dimensions associated with digital systems. They must also adhere to ethical and professional standards in the use of technology to ensure the accuracy and reliability of the information provided to stakeholders (IFAC, 2020).

In light of these developments, digital transformation is no longer a threat to the accounting profession, but rather an opportunity to develop the role of accountants and enhance their professional value in the digital labor market.

**The applied aspect:**

**Case Study: Saudi Telecom Company (STC):**

**Introduction:**

Saudi Telecom Company (STC) is one of the largest telecommunications companies in the Middle East and North Africa and has adopted an ambitious digital strategy as part of Saudi Vision 2030. STC is working to develop its digital infrastructure and improve its financial and administrative systems, making it a suitable model for studying the impact of digital transformation on the quality of financial reporting.

**Study Objective:**

This study aims to identify the impact of digital transformation on the quality of financial reporting at STC . By analyzing employee responses to a questionnaire covering three main themes.

**Study Tool (Questionnaire):**

-The questionnaire was designed to include

Demographic data of participants-

Digital transformation axis (5 statements)-

Financial reporting quality axis (5 statements)-

The relationship between digital transformation and quality axis (5 statements)-

-A five-point Likert scale was used to rate each statement (1 = strongly disagree to 5 = strongly agree).

**METHODOLOGY:**

-Study type: Quantitative (quantitative analytical).

-Sample: 40 STC employees from the departments of (Accounting, Finance Information Technology, and Senior Management)

Analysis method: Descriptive analysis + correlation test-

Statistical program: SPSS.

**Show results:**

**A. Demographic data:**

Variable	Category	Frequency	Percentage
Gender	male	28	70%
	female	12	30%
Age	>30	10	25%
	30–40	20	50%
	41–50	8	20%
	50<	2	5%
Qualification	Bachelor's	25	62.5%
	Master's	12	30%
	PhD	3	7.5%
Experience	<5 year	9	22.5%
	5–10 year	17	42.5%
	>10 year	14	35%

**B. Digital Transformation – Arithmetic Averages and Standard Deviations:**

Phrase	Average	Standard deviation
Use of advanced electronic accounting systems	4.30	0.62
Use of artificial intelligence	3.90	0.88
Digital data archiving	4.25	0.55
Training employees on digital transformation	4.10	0.72
Use of cloud computing	4.35	0.60
The overall average of the axis	4.18	0.67

**C. Financial Reporting Quality – Averages:**

Phrase	Average	Deviation
Accuracy and error-free reports	4.20	0.58
Timely reporting	4.15	0.63
For transparency and clarity	4.10	0.66

Inclusion of essential information	4.25	0.50
Compliance with accounting standards	4.30	0.53
The overall average of the axis	4.20	0.58

**D. The relationship between digital transformation and reporting quality – averages:**

Phrase	Average	deviation
Digital transformation improves reporting accuracy.	4.40	0.52
Speeds up the issuance of reports	4.35	0.58
Enhances the reliability of reports	4.30	0.61
Reduces manual errors	4.45	0.49
Increases the quality of decision making	4.38	0.57
The overall average of the axis <b>Statistical analysis (correlation):</b>	4.38	0.55

Pearson's correlation coefficient was used to analyze the relationship between digital transformation and financial reporting quality. The results showed:

-Correlation coefficient (r): 0.76

-Significance level: ( $p < 0.01$ )

This means that the relationship is strong and statistically significant, indicating that increased implementation of digital transformation leads to a clear improvement in the quality of financial reporting.

**Overall Results:**

STC is adopting advanced digital practices on a wide scale. The company's financial reporting is characterized by accuracy, transparency, and adherence to standards.

The digital transformation has led to:

Reduced errors.-

Speed up reporting.-

-Improved decision-making.

-Increased confidence in financial statements.

**RECOMMENDATIONS:**

- 1-Continue supporting digital transformation strategies and systems modernization
- 2-Intensify ongoing training for employees in the finance departments
- 3-Enhance integration between artificial intelligence systems and reporting
- 4-Adopt predictive analytics in preparing future reports
- 5-Expand cloud computing to accelerate access and storage

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